



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

BUDGET GUIDELINES 2010/11

Report of the Chief Fire Officer

Agenda Item No:

Date: 04 September 2009

Purpose of Report:

To inform Members of the likely budget position for 2010/11 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2010/11 to 2012/13.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

Tel : 0115 967 0880

Email : neil.timms@notts-fire.gov.uk

Media Enquiries Contact : Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

- 1.1 At its meeting on 20 February 2009 the Fire and Rescue Authority set the capital and revenue budgets of the Authority for the years 2009/10 to 2011/12 and the level of Council Tax for 2009/10. These are:

	Budget £s	Band D £s	Increase
2009/2010	46,329,813	67.73	3.5%
2010/2011	47,991,327	69.76	3.0%
2011/2012	49,483,552	71.86	3.0%

- 1.2 In respect of Government Grant it is difficult to speculate with any certainty beyond 2010/11 as this is the last year of the Comprehensive Spending Review 07 which fixed grant settlements for a three year period the last year of which is 2010/11.
- 1.3 Despite fine governmental words about providing certainty of funding for Local Government for periods longer than 1 year reality shows that this is only applicable during the life of a parliament.
- 1.4 It is clear however that the public finances are under significant strain and undoubtedly budget cuts will need to be made in the future whatever the result of any General Election during 2010 might be. It may therefore be unwise for the Fire Authority to either embark on a regime of significant budget reductions in 2010/11 or indeed take on additional long term commitments during this period.
- 1.5 However, for 2010/11 at least, the level of grant is fixed at £25,009,684 and all indications from government are that they will not seek to reduce this.
- 1.6 It is important that the Authority considers its own budgetary position against the general backdrop of future financial constraints as well as local responsibilities and commitments to Council Tax payers. The Finance and Resources Committee require some parameters within which to develop a budget proposal for 2010-2011 which can then be consulted upon before final budget proposals can be considered by the Fire Authority.

2. REPORT

Financial Position

- 2.1 The financial position of the Authority is strong with a good declared level of Revenue Support Grant for 2010/11. Underspendings in recent years have allowed balances to rise to a level above that required by the risk assessment. The levels of balances and reserves as at 31 March 2009 were:

General Fund Balance	£3.501m
Earmarked Reserves	£2.341m

- 2.2 The strength of this position means in effect that there is less budget pressure on this Authority than some others (particularly those at the grant floor) and that it is therefore unlikely that unpalatable budget options such as cuts will have to be considered in the 2010/11 round.

Inflationary and Other Pressure

- 2.3 The current economic climate has had the advantage of forcing inflation down to levels previously unseen which in turn has had a knock on effect on pay awards to both uniformed and non-uniformed staff. The pay awards during 2009/10 are expected to settle at or around 1.25% and it would seem unlikely that this will be exceeded significantly 2010/11 or 2011/12.
- 2.4 Discussions with the Fire Finance National Network recently show that most Finance Directors are prepared to recommend a provision of 2% in 2010/11 and 2012 due to the effect on inflation of a recovering economy. This does not seem an unreasonable approach.
- 2.5 Assumptions in respect of general inflation are again conservative and no more than 1% is expected during 2010/11. An assumption that this may rise to 1.5% in 2011/12 and 2012/13 is to be made.
- 2.6 The Regional Control Centre remains an issue financially as the final costs of this project are still unclear. It has not yet been decided either what proportion of those costs will be borne by Nottinghamshire. The assumption currently built into the budget is that there will be no additional costs nor savings emanating from this project and that those that do will be funded by "new burdens" grants. Government have recently announced that a "resilience grant" will be paid to Authorities that do experience increases in costs and depending on how these are measured it is possible that this assumption may hold good.
- 2.7 The costs of the new national radio project (Firelink) are similarly uncertain again, partly because the actual costs are unclear and the method of distribution of these costs within the region has yet to be determined.
- 2.8 In terms of regional cost allocations for both Firelink and the Regional Control Centre there is a concern that as Nottinghamshire is the largest Service in the region the largest proportion of cost may fall to Nottinghamshire. Currently significant economies of scale are enjoyed by Nottinghamshire particularly in respect of Fire Control.
- 2.9 The old firefighters pension scheme remains a significant burden with the employer's contribution rate currently at 21.3% of pensionable pay. A recent actuarial valuation seems to indicate that these costs could rise by 0.5% during 2010/11. The new scheme which requires much lower contributions will also require increases although these are not yet known.

Efficiency Savings

- 2.10 The Fire and Rescue Service does not have to meet the 3% targets set for the rest of Local Government, but instead is required to achieve 1.6%. This reflects the nature of the Service and the changes that it has needed to adapt to. However, unlike Local Government generally, no “one off” savings are allowed and no ongoing savings from previous years can be counted, which effectively makes the 1.6% target cumulative.
- 2.11 All savings are expected to be “cashable” and no reduction in service provision, quality, or quantity is allowed. Previously, non-cashable savings such as increasing productive hours could be claimed, but this is no longer the case.
- 2.12 The challenge for Nottinghamshire is that most if not all of the suggestions for efficiency savings made in the Fire Service Circular have already been done in previous years and therefore cannot be “done again”.

Reserves and Balances

- 2.13 As set out above, the Authority has a number of earmarked reserves which have been set aside for specific purposes which will be consumed in the next year or so. It is not proposed at this time to seek to reduce these reserves.
- 2.14 The Authority has balances in excess of £3.5m, which are slightly greater than the risk assessment would indicate are required. The Authority may take the view that these “surplus” balances constitute an opportunity cost and could better be allocated to service provision. It must be remembered however, that balances represent “one off” money and should not be used to support the base budget except under particular circumstances.
- 2.15 It is suggested that if in future years a significant “squeeze” is placed on budgets and grant that the issue of balances should be looked at critically with a view to reducing them. The temporary surplus thus generated may be used to cushion the effect of any future budget reductions to allow the Authority to take a measured approach to their achievement. If significant sums are withdrawn from balances, however there is a possibility that some of the areas set out in the risk assessment may not be covered.

Fire Formula

- 2.16 Whilst considering the potential for unforeseen events it must be remembered that the Formula Spending Share (FSS) for Fire and Rescue Services is currently being completely revised. It is impossible to speculate as to what this will mean in terms of grant settlements from 2011 onwards however, previous experiences would indicate that quite large swings in grant can result from formula changes.

Capital Programme

- 2.17 Again, at the meeting on 20 February 2009 a Capital Programme for 2010/11 and 2011/12 was set as follows:

	2010/2011	2011/2012
Transport	1,702,982	1,130,552
Property	3,007,475	1,450,500
I.T and Comms	185,000	185,000
	4,895,457	2,766,052

- 2.18 Work has been carried out on the Capital Programme to determine the sustainability of Capital expenditure over the long term. This work shows that in order to maintain the asset base for the future it will be necessary to allow the revenue implications of capital to rise to approximately 8% of the total revenue budget. Although this is a significant commitment, it is necessary to preserve the authority's assets base for future service delivery.

Taxbase

- 2.19 The final variable relating to available budget is the level of the Council Taxbase. This is currently 329,428 which means in effect that there are 329,428 Band D equivalent properties in the City and County combined in 2009/10. This figure determines the amount of money generated for each £1 of Council Tax levied. Taxbase does vary from year to year and almost always rises. It is not possible to estimate these changes and therefore an assumption of no change is made.

Current Climate

- 2.18 There has been very little indication so far that the economic climate has resulted in any notable increase in operational activity although this type of effect can take a considerable time to work through. Although all the early signs for recovery are positive it is likely that Council Tax collection rates may reduce significantly over the next year or so. The same may also be true of Non-Domestic Rates. It is not suggested that the Authority should make specific budget provision at this stage although some revisions may be required if these variations cannot be met from balances.

Proposed Guidelines

- 2.20 Taking all of the above variables and considerations into account the following strategy would seem appropriate for the Finance and Resources Committee to adopt in its development of the budgets for the coming three years:
- i) Continue to maintain a Capital Programme of approximately £5m on average in accordance with the sustainable capital plan.
 - ii) Council Tax increases to be in the range 0% to 3% for 2010/11 to 2012/13.

- iii) Any use of balances to be matched by planned reductions to take place in later years.
- iv) Existing budgets to be re-engineered where possible to take account of inflationary pressure.
- v) Estimates of costs for Firelink and Regional Fire Control to be produced as soon as possible and incorporated into budgets.
- vi) Finance and Resources Committee identify and monitor opportunities for efficiency savings.

2.21 The priorities for budget development will be:-

- i) IRMP Outcomes
- ii) Financial Stability
- iii) Partnership Working
- iv) Equalities

2.22 Finance and Resources Committee will begin to consult stakeholders as the budget develops.

3. FINANCIAL IMPLICATIONS

Financial implications are set out in full within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources and learning and development implications arising from this report.

5. EQUALITY IMPACT ASSESSMENT

An initial equality impact assessment has not been prepared in relation to this matter.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The primary corporate risk is that sufficient financial resources are not available to the Authority. An early guide for the Finance and Resources Committee in terms of the development of the budget will help to manage this risk.

9. RECOMMENDATIONS

Members are requested to approve guidelines set out in Paragraph 2.20 as a framework for the development of the Authority's budgets for 2010/11 to 2012/13.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER